Young people and debt

Drowning in Debt

Citizens Advice Scotland's latest report, **Drowning in Debt**, is based on a detailed survey of debt clients from a representative sample of citizens advice bureaux across Scotland, in both rural and urban areas. Based on information extracted from the research, this briefing focuses on young CAB debt clients and highlights that:

- **Young citizens advice bureau (CAB) clients (16-24) held a lower level of debt than other age groups - £9,679 compared to an overall average of £20,914**
- **The average level of debt for young people has nearly doubled since 2004, and is increasing twice as fast as the rate for all clients**
- **The average number of debts for young people in the survey stood at six, the same number that older clients held**
- **Young people were more likely to want to go bankrupt than other age groups, but most could not afford the fee.**

The average debt owed by young people is increasing twice as fast as the rate for older clients

"A West of Scotland CAB reports of an 18 year old lone parent who has built up debt following the breakdown of a relationship. The client struggled with finances following the end of the relationship and could not access any mainstream credit sources due to her circumstances. The client therefore borrowed £500 from a doorstep lending company at an interest rate of nearly 190%. The client has repaid £210, but still owes another £650, and now has a total debt of over £2,500.

citizens advice bureau

1939-2009: 70 years of Scottish CAB advice

Contact: **Susan McPhee, Head of Social Policy and Public Affairs**
Matt Lancashire, Keith Dryburgh and Alizeh Hussain – Social Policy Officers

Citizens Advice Scotland
1st Floor, Spectrum House, 2 Powderhall Road, Edinburgh, EH7 4GB
t: 0131 550 1000 f: 0131 550 1001 w: www.cas.org.uk
need advice? www.adviceguide.org.uk

The Scottish Association of Citizens Advice Bureaux - Citizens Advice Scotland
(Scottish charity number SC016637)

Key findings:

Types of debt

- Young debtors have different types of debt from other CAB debt clients. For example, they were less likely to hold credit card debts than older clients. However, the proportion of young people with credit card debt has increased by nearly 50% since 2004
- Young people were much more likely than other clients to hold overdraft debts (59% of young clients), catalogue debts (41%), and hire purchase agreements (18%). The proportion of young clients with overdraft debts has almost doubled since 2004
- Nearly three-quarters of young people in the research had a personal or unsecured loan, a slight increase since 2004. This is to be expected, as young people are less likely to be homeowners and have access to secured credit
- More than half of young clients held a land line or mobile phone debt, and were almost five times more likely than older clients to hold this type of debt.

Reasons for debt

- Half of young people attributed their debt problems to money mismanagement, while around four in ten thought that low income, having children and losing work were key factors. Young people were much more likely than older clients to attribute their debt to taking on a first home or tenancy.

Strategies for dealing with debt

- Young people were more likely than older clients to consider the low income low assets (LILA) route to bankruptcy, but were less likely to be able to afford the £100 fee to access LILA
- Younger age groups were more likely to borrow from friends and family to service their debts than older age groups.

Citizens Advice Scotland's proposals for change

Young people have lower levels of debt than older clients, but their levels of debt have almost doubled in the last five years. It is imperative that young people are given the right advice and support at a young age to ensure that as they grow older their debt doesn't grow with them. In particular:

- Lenders and policymakers need to ensure that affordable mainstream credit is accessible for young people in low income groups
- The UK Government should introduce tighter regulation on creditor behaviour to ensure that young people aren't given unsuitable credit that will trap them in debt in later life.
- Lenders and policymakers should increase support for existing money advice services to address growing demand and target disadvantaged groups.

A South of Scotland CAB reports of a 19 year old client who was offered substantial credit from her bank despite already owing them a sum of money. The client built up debts of around £10,000, mainly with banks. She contacted her bank to sort out the debts, and was offered a £15,000 loan. The client was surprised she was offered such a loan and reports of being 'bombarded' with offers of loans every day.

An East of Scotland CAB reports of a 24 year old single mother who cannot afford the £100 fee for the low income low assets (LILA) route to bankruptcy. The client has not been able to work since 2005 due to depression, and her debt has risen to over £5,000 as a result. The client is reliant on Income Support and cannot afford the £100 for LILA on this low income.